

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0511-01
Bill No.: HB 103
Subject: Revenue Dept.; Taxation and Revenue-General-Income-Property
Type: Original
Date: January 10, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(\$45,951)	(\$300,700,000)	(\$306,700,000)
Total Estimated Net Effect on <u>All</u> State Funds	(\$45,951)	(\$300,700,000)	(\$306,700,000)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

In a previous similar proposal, officials of the **Office of Administration (COA) - Budget and Planning (BAP)** stated this proposal creates an individual income tax credit for property tax paid, \$150 for single filers and \$300 for joint filers.

BAP staff's estimate assumed that 61% of filers would take the property tax credit. Single filers would take a credit of \$150, and combined filers would take a credit of \$300. There are approximately 1,052,084 combined filers and 1,117,388 single resident filers in Missouri. According to the 1990 Missouri Census of Housing, approximately 61% of Missourians live in owner occupied housing. The average residential property tax in Missouri is \$720. BAP staff assumed two percent annual growth.

Officials of the **Department of Revenue (DOR)** state this legislation allows a tax credit up to \$150 for taxes paid on property with situs in this state and owned by the taxpayer. This legislation is effective January 1, 2002.

ADMINISTRATIVE IMPACT:

The number of taxpayers eligible for this credit is unknown at this time. The Division of Taxation will need one temporary tax season employee (a cost of \$6,067) for every 15,000 returns filed with this credit and one tax season employee for every 4,000 pieces of correspondence received regarding the credit. The Division will also need one Tax Processing Tech I for every 30,000 additional errors generated by this credit.

This legislation will require modifications to the corporate and individual income tax systems. The Division of Taxation estimates these modifications, including programming changes, will require 1,730 hours of overtime at a cost of \$57,713. Modifications to the income tax returns and schedules will be completed with existing resources. State Data Center charges will increase due to the additional storage and fields to be captured. Funding in the amount of \$11,323 is requested for implementation costs.

Oversight assumes, for purposes of this fiscal note, the Division of Taxation could handle the programming provisions of this proposal utilizing 1,038 hours of overtime at a cost of \$34,628. In addition to the programming changes, Oversight has allowed \$11,323 in funding for the State Data Center charges.

Officials from the **State Tax Commission (TAX)** assume this legislation will not fiscally impact their agency.

This proposal would result in a decrease in Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (6 Mo.)	FY 2003	FY 2004
GENERAL REVENUE FUND			
<u>Loss to General Revenue Fund</u>			
Income Tax Credit for property taxes	\$0	(\$300,700,000)	(\$306,700,000)
<u>Costs - Department of Revenue</u>			
Reprogramming costs	(\$34,628)	\$0	\$0
Expense and equipment	(\$11,323)	\$0	\$0
Total Administrative <u>Costs</u> DOR	<u>(\$45,951)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$45,951)</u>	<u>(\$300,700,000)</u>	<u>(\$306,700,000)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (6 Mo.)	FY 2003	FY 2004
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This bill allows a non-refundable individual income tax credit equal to the amount of property taxes paid on property with a situs in this state or \$150 per resident individual, per year, whichever is less. The maximum credit would be \$150 for a taxpayer filing a single return and \$300 for a married filing combined return.

This tax credit will apply to tax year 2002 and thereafter.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration - Budget and Planning
Department of Revenue
State Tax Commission

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large initial "J" and a cursive script.

Jeanne Jarrett, CPA
Director
January 10, 2001